

# **State of Alaska FY2010 Governor's Operating Budget**

## **Department of Labor and Workforce Development Unemployment Insurance Component Budget Summary**

## Component: Unemployment Insurance

### Contribution to Department's Mission

The Unemployment Insurance program contributes to the department's mission by keeping skilled workers in Alaska and sustaining the economy during periods of economic downturn.

### Core Services

- Pay Unemployment Insurance (UI) benefits to workers who are temporarily unemployed.
- Assess and collect employer contributions for deposit into the UI Trust Fund.
- Provide web-based applications to workers and employers for accessing the Tax On-Line System and Benefit Internet Filing system.
- Work with and educate employers on how to meet the UI tax and reporting requirements.
- Ensure trust fund solvency is maintained by reviewing UI tax rate calculations.
- Protect integrity of the UI Trust Fund by preventing and recovering UI benefit overpayments.
- Unemployment Insurance Trust Fund accounting.

### FY2010 Resources Allocated to Achieve Results

**FY2010 Component Budget: \$19,611,000**

**Personnel:**

Full time	155
Part time	51
<b>Total</b>	<b>206</b>

### Key Component Challenges

Reed Act federal funds will be exhausted in FY2009 resulting in a \$443.1 decrement being included in the budget. There will be an increased reliance on information technology and the program will continue to concentrate on delivering core UI products electronically to ensure employers and claimants receive adequate and continuous services.

The program is challenged to meet federal performance and quality measures (adjudication and timeliness), as well as overall customer service. Vacancies in the UI Tax Office affect the opportunities to exchange information with employers and conduct quality audits. Recruitment, training and retention of UI staff continue to be challenging. Progress on current projects to improve services through the use of information technology will be limited by available staff and their level of training and experience.

The department has prepared draft language to be introduced in the next legislative session to bring Alaska law into compliance and conformity with the Federal Unemployment Tax Act (FUTA) on recognized native organizations. This ensures recognized native organizations are treated similarly to state and local governments in that they are to be given the option to become a "reimbursable employer" rather than one that must contribute based on an assigned experience rate. If state law does not conform to federal requirements, employers in the state risk losing FUTA tax credit of up to 90 percent of the federal unemployment tax that employers are required to pay. Additionally, states must comply with FUTA regulations to be eligible for federal administrative funding.

Although Alaska had a relatively low unemployment rate this last year, it was significantly higher than the previous year and Alaska paid Extended Benefits beginning June 7, 2008. In addition Alaska signed the Emergency Unemployment Compensation (EUC) agreement on June 30, 2008 in response to the President's Supplemental

Appropriations Act and began paying EUC benefits the week ending July 12, 2008. Due to a staffing shortage, Alaska is struggling to keep up with the workload generated from these two programs.

### **Significant Changes in Results to be Delivered in FY2010**

The UI program is developing a system to administer benefit payments through debit cards. This will be outsourced to JP Morgan Chase to manage distribution of cards and funds to eligible claimants. Recipients will be able to access their benefits quickly and use the card at automated teller machines to obtain cash or at point of sale. It is estimated to greatly reduce telephone costs and increase the overall internet client usage. For further costs savings, the UI program is examining outsourcing the printing and distribution of paper checks.

Planned improvements to the Benefits Internet Filing system include verification of payment, claim monetary information, the ability to read online adjudications, claimant access to payment information, the ability to view and print their 1099 form for taxes and continued streamlined ability for the data-base to pre-fill claimant data fields which will save time during the intake of an application.

Improved marketing of online services to current UI recipients will be conducted during FY2010 through mailers and claimant messages. In addition, posters will be distributed to job centers statewide and seasonal Alaska employers advising them of our new online services. Quarterly tax newsletters sent to all Alaska employers will continue to promote Tax Online Services and changes in tax regulations. UI program staff will continue to promote the advantages of online claims filing and tax services.

Benefit Payment Control continues implementation efforts on several projects to prevent, discourage, detect, and recover benefit overpayments. These include an improved web-based cross-match system for reported wages, an upgrade to the National Directory of New Hires to facilitate earlier detection of overpayments, capability to accept credit card payments, and installation of data mining software to detect fraud schemes.

### **Major Component Accomplishments in 2008**

Unemployment Insurance benefits totaling \$105.1 million were paid to 45,381 insured workers. This is a decrease of \$94,845 and 1,720 fewer claims from last year. During the same period over \$156.5 million in contributions were deposited into the UI Trust Fund.

Facilitating reemployment of claimants continues to be a high priority for the UI program. Approximately 33,430 UI claimants were selected to participate in Worker Profiling and Reemployment Services. If selected, they are required to participate in an online orientation and are offered further employment and training services. Continuous improvements to the online orientation have been made to help claimants understand services that may be available to them. As a requirement to continue to collect benefits, claimants must register and maintain an online resume in the Alaska Labor Exchange system (ALEXsys).

The third phase of internet-based claims was implemented in FY2008. This introduced online filing of continued bi-weekly claims, a tie-in to the statewide MyAlaska security system, and enhanced online fact-finding forms. Filing bi-weekly claims online is more efficient and cost-effective than the toll-free Interactive Voice Response (IVR) system. Claimants now log into MyAlaska in order to file initial and continued claims. MyAlaska is an authentication and electronic signature system that provides an additional level of internet security and the ability for claimants to access multiple state services. Interactive fact-finding forms are now part of the continued bi-weekly claims so potential eligibility issues can be detected at the time of filing and the necessary information gathered. To-date, over 83,000 weekly claims have been filed online.

Employers continue to file their quarterly contribution reports online. A total of 25,198 reports were filed online in FY2008 compared to 18,697 in FY2007. To date, 46% of all active Alaska employers are filing their reports online. Many upgrades have been made to the Tax Online System to create a more efficient, user-friendly, and secure website. Upgrades for employers include access to prior submitted online reports, improved response time and the ability for payroll companies to submit a single payment encompassing all employers they represent. Additional phases will continue to improve staff efficiency by providing an automated method for employers to amend submitted quarterly reports. Over \$22 million has been collected through electronic fund transfer in FY2008 compared to \$17 million collected in FY2007.

Benefit Payment Control increased collection activities resulting in the recovery of approximately \$2.8 million in benefit overpayments. Of this total, over \$1.8 million was recovered through PFD levy requests submitted to the Department of Revenue.

The UI Program was successful in supporting the passage of Senate Bill 120. This brings Alaska into compliance and conformity with Title III of the Social Security Act (SSA) and with the United States Department of Labor Final Rule 20 CFR Part 603. The rule set the statutory requirements for confidentiality and disclosure requirements of Title III of the SSA and Federal Unemployment Tax ACT regarding unemployment compensation information.

Senate Bill 120 also raises Alaska's maximum weekly benefit amount from \$248 to \$370 and the minimum qualifying wage requirement from \$1,000 to \$2,500 for benefit years beginning on or after January 1, 2009. Alaska's maximum weekly benefit amount was last raised in 1997.

Despite continued staffing shortages and increased workload, claim centers answered 222,581 calls with an average wait time of 2.4 minutes. To expedite claim processing and reduce the burden of employers filling out and sending in forms, the claim centers equipped frontline staff to send and receive facsimile from their desktops.

To facilitate timely processing of interstate claims, automation of the Interstate Connection Online Network system for requesting wage transfers between states was made. An estimated 28 percent of the agencies combined wage claims transactions have been automated. This percentage should increase substantially by next year.

### Statutory and Regulatory Authority

Federal Authority:

5 USC Sec. 8501 – 8525	Unemployment Compensation for Federal and Military Employees
26 USC Chapter 23	Federal Unemployment Tax Act
26 USC Chapter 25	General Provisions Relating to Employment Taxes
Social Security Act Title III	Grants to States for Unemployment Compensation Administration
Social Security Act Title IX	Miscellaneous Provisions Relating to Employment Security
Social Security Act Title XI	General Provisions, Peer Review, and Administrative Simplification
Social Security Act Title XII	Advances to State Unemployment Funds
Public Law 93 – 618	Trade Act of 1974
Public Law 103 – 152	Mandatory Profiling of UI Claimants
Public Law 107 – 147	Temporary Extended Unemployment Compensation Act of 2002
Public Law 107 – 210	Trade Adjustment Assistance Reform Act of 2002
Public Law 108 - 295	SUTA Dumping Prevention Act of 2004
Title 20 CFR, Chapter V	Employment and Training Administration

Statutory Authority:

AS 23.20	Alaska Employment Security Act
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Administrative Regulations:

8 AAC 85	Employment Security
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### Contact Information

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**Unemployment Insurance  
Component Financial Summary**

*All dollars shown in thousands*

	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	12,982.0	14,995.4	15,053.2
72000 Travel	185.9	132.7	132.7
73000 Services	3,711.7	4,258.5	4,138.6
74000 Commodities	467.7	286.5	286.5
75000 Capital Outlay	2.9	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>17,350.2</b>	<b>19,673.1</b>	<b>19,611.0</b>
<b>Funding Sources:</b>			
1002 Federal Receipts	16,583.7	17,818.7	17,719.3
1004 General Fund Receipts	9.5	942.4	964.2
1007 Inter-Agency Receipts	85.8	103.4	105.1
1054 State Employment & Training Program	315.6	361.6	367.8
1108 Statutory Designated Program Receipts	40.0	85.4	86.8
1151 Technical Vocational Education Program Account	315.6	361.6	367.8
<b>Funding Totals</b>	<b>17,350.2</b>	<b>19,673.1</b>	<b>19,611.0</b>

**Estimated Revenue Collections**

Description	Master Revenue Account	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
<b>Unrestricted Revenues</b>				
State Employment and Training Program	51394	315.6	361.6	367.8
Technical Vocational Education Program	51433	315.6	361.6	367.8
<b>Unrestricted Total</b>		<b>631.2</b>	<b>723.2</b>	<b>735.6</b>
<b>Restricted Revenues</b>				
Federal Receipts	51010	16,583.7	17,818.7	17,719.3
Interagency Receipts	51015	85.8	103.4	105.1
Statutory Designated Program Receipts	51063	40.0	85.4	86.8
<b>Restricted Total</b>		<b>16,709.5</b>	<b>18,007.5</b>	<b>17,911.2</b>
<b>Total Estimated Revenues</b>		<b>17,340.7</b>	<b>18,730.7</b>	<b>18,646.8</b>

**Summary of Component Budget Changes  
From FY2009 Management Plan to FY2010 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2009 Management Plan</b>	<b>942.4</b>	<b>17,818.7</b>	<b>912.0</b>	<b>19,673.1</b>
<b>Adjustments which will continue current level of service:</b>				
-FY2010 Wage and Health Insurance Increases for Bargaining Units with Existing Agreements	21.8	343.7	15.5	381.0
<b>Proposed budget decreases:</b>				
-Decrease Federal Authorization to Align with Anticipated Receipts	0.0	-443.1	0.0	-443.1
<b>FY2010 Governor</b>	<b>964.2</b>	<b>17,719.3</b>	<b>927.5</b>	<b>19,611.0</b>

**Unemployment Insurance  
Personal Services Information**

Authorized Positions			Personal Services Costs	
	FY2009 Management Plan	FY2010 Governor		
Full-time	160	155	Annual Salaries	10,092,097
Part-time	45	51	COLA	403,847
Nonpermanent	6	6	Premium Pay	1,365
			Annual Benefits	5,679,161
			<i>Less 6.94% Vacancy Factor</i>	(1,123,270)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>211</b>	<b>212</b>	<b>Total Personal Services</b>	<b>15,053,200</b>

**Position Classification Summary**

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
[No valid job title]	0	0	1	0	1
Accountant III	0	0	1	0	1
Accounting Clerk	0	0	1	0	1
Accounting Spvr II	1	0	2	0	3
Accounting Tech I	2	0	4	0	6
Accounting Tech II	1	0	6	0	7
Accounting Tech III	0	0	2	0	2
Admin Asst III	0	0	1	0	1
Administrative Assistant II	1	0	1	0	2
Administrative Clerk II	0	0	2	0	2
Administrative Clerk III	2	0	2	0	4
Appeals Referee II	6	0	1	0	7
Appeals Referee III	0	0	1	0	1
Asst Dir Employ Security	0	0	1	0	1
Employ Sec Analyst II	2	0	10	0	12
Employ Sec Analyst III	0	0	10	0	10
Employ Sec Spec IA	14	0	17	0	31
Employ Sec Spec IB	27	6	22	0	55
Employ Sec Spec II	5	0	5	0	10
Employ Sec Spec III	5	1	4	0	10
Employment Service Mgr IV	1	0	0	0	1
Field Auditor I	5	1	2	1	9
Field Auditor II	1	1	0	1	3
Investigator II	3	1	1	0	5
Investigator III	1	0	0	0	1
Microfilm/Imaging Oper I	0	0	1	0	1
Paralegal I	1	0	0	0	1
Prog Coordinator	0	0	3	0	3
Publications Spec III	0	0	1	0	1
Spvr Audit Operations	0	0	1	0	1
Supvr, Unempl Ins Tax	0	0	1	0	1
Unem Ins Qtl Contl Auditor	2	2	3	0	7
Unem Quality Contl Supervisor	0	0	1	0	1
Unemp Ins Support Svcs Mgr	0	0	1	0	1
Unemployment Ins Spec II	0	0	7	0	7
Unemployment Ins Spec III	0	0	2	0	2

**Position Classification Summary**

<b>Job Class Title</b>	<b>Anchorage</b>	<b>Fairbanks</b>	<b>Juneau</b>	<b>Others</b>	<b>Total</b>
<b>Totals</b>	<b>80</b>	<b>12</b>	<b>118</b>	<b>2</b>	<b>212</b>